

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 1

March 17, 2013

**SUMMARY OF BILL:** Prohibits the state from establishing, facilitating, implementing or participating in the expansion of the Medicaid program pursuant to the Patient Protection and Affordable Care Act, Public Law 111-148, as amended.

**ESTIMATED FISCAL IMPACT:**

**Forgone State Revenue - \$418,207,600/TennCare/FY13-14  
\$1,000,100,900/TennCare/FY14-15**

**Other Fiscal Impact – According to the Bureau of TennCare, the bill could jeopardize \$6.34 billion federal Medicaid matching funds by prohibiting the state from extending eligibility to children up to 133 percent of the federal poverty level. If the state does not extend coverage eligibility for children up to 133 percent of the federal poverty level, then the state will not be compliant with 42 U.S.C. 1396a and could lose Medicaid funding pursuant to 42 U.S.C. 1396c.**

Assumptions:

- Title II, § 2001(a)(1) of the Act (42 U.S.C. § 1396a(a)(10)(A)(i)(VIII)), requires expansion of Medicaid coverage eligibility to adult individuals under the age 65, who are not pregnant or disabled, with income that does not exceed 133 percent of the federal poverty level (138% with the mandatory 5 percent income disregard). Under the Act, if a state chose not to expand coverage, then the state would not be compliant with 42 U.S.C. § 1396a and could lose Medicaid funding pursuant to 42 U.S.C. § 1396c.
- The United States Supreme Court held that the mandatory expansion of the population groups eligible for Medicaid coverage is unconstitutional in *National Federation of Independent Business v. Sebelius*. If a state chooses not to expand the state's Medicaid coverage to the newly eligible expansion population group, then the state will not jeopardize Medicaid funding for coverage of individuals eligible under federal law prior to enactment of the Act for that reason.
- According to the Center for Medicaid and CHIP Services (CMCS) in *Questions and Answers: Medicaid and the Affordable Care Act* (February 2013), the mandatory status of the extension of Medicaid coverage to all children age six and older with incomes up

to 133 percent of the Federal poverty level (138% with the mandatory 5 percent income disregard) as required by the Act was not affected by *National Federation of Independent Business v. Sebelius*.

- According to the Bureau of TennCare, the bill can be interpreted as prohibiting the state from extending eligibility to children up to 133 percent of the federal poverty level. If the state does not extend coverage eligibility for children up to 133 percent of the federal poverty level, then the state will not be compliant with 42 U.S.C. 1396a and could lose Medicaid funding pursuant to 42 U.S.C. 1396c.
- According to the Bureau of TennCare, the bill could jeopardize \$6.34 billion federal Medicaid matching funds.
- Title II, § 2001(y) of the Act (42 U.S.C. § 1396d(y)), increases the Federal medical assistance percentage (FMAP) applied to spending by states that expand Medicaid coverage eligibility to the expansion population with respect to medical assistance provided to that population. In federal calendar quarters 2014, 2015, and 2016 the increased FMAP will be 100 percent.
- According to the Bureau of TennCare (the Bureau), if Medicaid coverage eligibility is expanded in Tennessee, then there would be approximately 144,500 newly eligible TennCare enrollees in FY13-14 and approximately 161,900 newly eligible TennCare enrollees in FY14-15.
- According to the Bureau, the bill will result in the state forgoing federal match revenues of \$418,207,600 in FY13-14 and \$1,000,100,900 in FY14-15.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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